

6 September 1978

MEMORANDUM FOR: Associate Director-Management,
National Foreign Assessment Center

SUBJECT : Request to Present a Briefing at
the US Naval Academy, Annapolis, MD

1. I request approval to present a briefing on Soviet defense economics at the US Naval Academy on the evening of 25 September 1978. This briefing has been requested by Dr. Eric Fredlund, Director of the Naval Academy Economics Department. It will be presented to an audience of faculty members and approximately 200 senior midshipmen who are majoring in political science.

2. Although all members of the audience will have secret-level clearances, my presentation will be unclassified. It will be based entirely on textual and graphical material contained in OSR's unclassified papers on Soviet defense spending, the DCI's June 1978 testimony before the Joint Economic Committee of the Congress, and a series of research papers on the Soviet economy published by the Office of Economic Research. An outline of the briefing is attached.

3. I will be speaking as an overt employee of the Central Intelligence Agency.

STATINTL

Chief

Manpower and Operations Branch
OSR/ME

Attachment:

Outline of Unclassified Briefing on "Soviet Defense
Economics"

I have reviewed the attached unclassified outline and recommend
approval of this request.

STATINTL



Deputy for Cost Analysis
Military-Economic Analysis Center
OSR

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CONCUR:

STATINTL

Director of Strategic Research

Date

[REDACTED]

12 SEP 1978

Director of Security

Date

STATINTL

[REDACTED]

13 SEP 1978

Coordinator for Academic Relations

Date

APPROVED:

STATINTL

[REDACTED]

15 SEP 1978

Associate Director-Management, NFAC

Date

Distribution:

- Orig - Addressee,
return originator
- 1 - AD-M/NFAC
- 1 - Director of Security
- 1 - NFAC/CAR
- 1 - Director of Public Affairs
- 1 - D/OSR
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Briefing Outline

Soviet Defense Economics

- I. Introduction - Note background as former midshipman, discuss current responsibilities in general terms.
- II. Elements of "Defense Economics"
 - Quantification of resource flows to the defense sector
 - Reduction of physical units to monetary terms
 - Assessment of cost of alternative force structures
- III. Peculiarities of the Soviet Case
 - Little direct data
 - Marxist accounting concepts
 - Variety of indirect analytical approaches possible
 - Need for intelligence inputs
 - Ultimate utility in performing analysis in support of US defense policy
- IV. How Economic Considerations Affect Soviet Procurement Decisions
 - Outline a hypothetical weapons procurement decision-making process, scoring role of Military-Industrial Commission and GOSPLAN. (Material to be taken from Professor Thomas Wolfe's lecture notes for recent Soviet Military Policy and Strategy course.)

- Discuss relationship between defense production and Soviet planning cycles.
- Outline constraints arising from full-capacity planning, lack of incentives for innovation, difficulty in shifting production resources.

V. Outcome of the Soviet Defense Planning Process

- Review the key findings of OSR's Estimated Soviet Defense Spending: Trends and Prospects (Unclassified).

IV. Comparison of US and Soviet Defense Programs

- Review the key findings of OSR's A Dollar Cost Comparison of Soviet and US Defense Activities, 1967-77 (Unclassified).

VII. Question and Answer Period